

Message Text

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AMEMBASSY PARIS

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FOR: SECSTATE PASS TREASURY, USICA FOR USINFO, BONN FOR
MARSH, USEC BRUSSELS, USIO GENEVA, OECD PARIS

E.O.11652: N/A

TAGS: OVIP (C.FRED BERGSTEN VICE W.MICHAEL BLUMENTHAL)
SUBJECT: PROCEEDINGS OF PRESS CONFERENCE 4/24/78

1. MR. BERGSTEN: (OPENING REMARKS) THE PURPOSE OF MY
VISIT HERE, OF COURSE, IS TO LEAD THE U.S. DELEGATION
BOTH TO THE MEETING WHICH TOOK PLACE OVER THE WEEKEND
ON REPLNISHMENT OF THE ASIAN DEVEOPMENT FUND, WHICH IS
THE SOFT LOAN OR CONCESSIONAL WINDOW OF THE ASIAN
DEVELOPMENT BANK, AND NOW DURING THE WEEK TO LEAD THE
AMERICAN DELEGATION TO THE MEETING OF THE 11TH ANNUAL
MEETING OF THE ASIAN DEVELOPMENT BANK BEING HELD HERE
IN VIENNA. SECRETARY OF THE TREASURY BLUMENTHAL WHO IS
THE U.S. GOVERNOR OF THE ASIAN DEVELOPMENT BANK
HAD PLANNED ORIGINALLY TO LEAD OUR DELEGATION TO THE
BANK MEETING ITSELF TODAY AND TOMORROW, AND AT THE
VERY LAST MINUTE HAD TO CANCEL HIS TRIP BECAUSE THE TAX
BILL THAT THE PRESIDENT HAS PROPOSED IS IN ITS CRITICAL
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MOMENTS BEFORE THE CONGRESS. SINCE SECRETARY BLUMENTHAL
AS SECRETARY OF THE TREASURY IS THE CHIEF ADMINISTRATION
OFFICIAL RESPONSIBLE FOR THAT TAX LEGISLATION, HE
FOUND IT IMPOSSIBLE TO LEAVE WASHINGTON AT THIS TIME.
SO WHAT WE HAVE DONE OVER THE WEEKEND IS TO REACH A
SUCCESSFUL REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND--
I WILL BE GLAD TO DISCUSS DETAILS OF THAT IF YOU WOULD

LIKE--AND WE ARE NOW IN THE ANNUAL MEETING OF THE ASIAN BANK THROUGH WHICH WE ARE EXPRESSING OUR CONTINUED VERY HIGH INTEREST IN THE DEVELOPMENT IN THE POORER COUNTRIES THROUGHOUT THE WORLD PARTICULARLY IN ASIA, AND INDICATING OUR CONTINUED AND INDEED STRENGTHENED SUPPORT FOR DEVELOPMENT THROUGH OUR PARTICIPATION IN THE ASIAN BANK AND ASIAN FUND. I WOULD, OF COURSE, BE GLAD TO ANSWER QUESTIONS ON THE BROADER TOPICS HAVING TO DO WITH THE INTERNATIONAL ECONOMIC AND FINANCIAL POSITION OF THE UNITED STATES AND SUCH MINOR MATTERS AS THE STATUS OF THE DOLLAR AND THE OUTLOOK FOR THE ECONOMY AND PRICE STABILITY IN THE UNITED STATES. BUT I THINK RATHER THAN TRY TO ANTICIPATE YOUR INTERESTS I WILL SIMPLY STOP HERE AND SEE WHAT YOU WOULD LIKE TO ASK.

QUESTION: WHY HAS THE DOLLAR GONE UP NOW?

MR. BERGSTEN: WELL, BECAUSE IT WENT DOWN BEFORE. IT IS NOT POSSIBLE REALLY TO ANALYZE DAY-TO-DAY MOVEMENTS IN THE EXCHANGE MARKET AND INDICATE PRECISE REASONS WHY OVER A DAY OR A WEEK OR TWO WEEKS A PARTICULAR EXCHANGE RATE MOVES IN THE DIRECTION IT DOES. I DO THINK THERE IS A RECOGNITION IN THE EXCHANGE MARKETS OF THE VERY DEEP CONCERN HELD IN THE UNITED STATES ABOUT THE STABILITY OF THE DOLLAR. WHEN PRESIDENT
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CARTER ADDRESSED THE NATION ON APRIL 11, HE MADE VERY CLEAR THAT HE PERSONALLY REGARDED THE STABILITY OF THE DOLLAR OF CRITICAL IMPORTANCE TO THE UNITED STATES BOTH FOR PURELY NATIONAL REASONS AND BECAUSE OF OUR RESPONSIBILITIES IN THE WORLD ECONOMY. AND IN CARRYING OUT THAT RESPONSIBILITY THE PRESIDENT OUTLINED HIS VIEWS ON HOW TO ASSURE STRENGTH AND STABILITY OF THE DOLLAR, MAINLY BY DEALING WITH THE FUNDAMENTAL ECONOMIC CONDITIONS THAT ARE INVOLVED. HE INDICATED IN SOME DETAIL HIS NEW PROGRAM TO FIGHT INFLATION, TO REDUCE THE RATE OF INFLATION IN THE UNITED STATES: BY WORKING AT THE MACRO-ECONOMIC LEVEL KEEPING THE FISCAL DEFICIT UNDER CONTROL; BY WORKING ON SPECIFIC SECTORS WHERE PRICE INCREASES HAVE BEEN SUBSTANTIAL SUCH AS HEALTH CARE, AIRLINES, AND A NUMBER OF OTHER PARTICULAR SECTORS; AND BY WORKING WITH LABOR AND INDUSTRY TO BRING DOWN THE PRICE LEVEL IN TERMS OF PRICE DECISIONS AND WAGE DECISIONS BY BOTH LABOR AND BUSINESS GROUPS. THAT WAS ONE ELEMENT IN THE PROGRAM--BRINGING INFLATION UNDER CONTROL. THE SECOND THING THE PRESIDENT INDICATED WAS HIS CONTINUED EFFORT TO ACHIEVE CONGRESSIONAL LEGISLATION AS SOON AS POSSIBLE IN THE ENERGY AREA.

AS YOU ALL KNOW ENERGY IMPORTS HAVE BEEN THE SINGLE MOST IMPORTANT CAUSE OF THE SHARP INCREASE IN THE U.S. TRADE DEFICIT OVER THE LAST YEAR OR SO. OIL IMPORTS WERE AS LOW AS FIVE BILLION DOLLARS AS RECENTLY AS 1972 AND LAST YEAR THEY EXCEEDED 45 BILLION DOLLARS, AN INCREASE OF 40 BILLION DOLLARS IN A SHORT SPACE OF TIME. THE PRESIDENT'S ENERGY PROGRAM IS DESIGNED TO DEAL WITH THAT SITUATION VERY DIRECTLY BY CUTTING THE LEVEL OF U.S. ENERGY IMPORTS. ON APRIL 11, HE INDICATED NOT

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ONLY HIS CONTINUED EFFORT TO ACHIEVE EARLY CONGRESSIONAL LEGISLATION THAT WOULD DEAL WITH THAT PROBLEM, BUT IF THERE IS NOT EARLY CONGRESSIONAL ACTION THAT HE WOULD TAKE ADMINISTRATIVE ACTION TO ACHIEVE A SIMILAR RESULT. AND THEN THIRDLY, HE ANNOUNCED A NEW EFFORT BY THE GOVERNMENT TO EXPAND THE EXPORT ABILITY OF THE UNITED STATES--TO WORK WITH BUSINESS AND PROVIDE GOVERNMENT HELP WHERE APPROPRIATE TO ASSURE THAT AMERICAN EXPORT OPPORTUNITIES ARE BEING TAKEN ADVANTAGE OF WHEREVER POSSIBLE. SO, IT IS REALLY A THREE-PHASE EFFORT AIMED AT DEALING WITH THE FUNDAMENTAL ECONOMIC CONDITIONS UNDERLYING THE U.S. TRADE AND CURRENT ACCOUNT DEFICIT AS PART OF A COMPREHENSIVE GLOBAL EFFORT WE ARE MAKING TO RESTORE STABILITY TO THE EXCHANGE MARKET AND ASSURE THE STRENGTH OF THE DOLLAR.

QUESTION: IT SEEMED TO HAVE BEEN THE POLICY THIS PAST YEAR TO ABSTAIN FROM VOTES FOR LOANS TO KOREA AND THE

PHILLIPINES. DO YOU INTEND TO CONTINUE THAT POLICY?

MR. BERGSTEN: WE INTEND TO CONTINUE WITH A POLICY OF
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TAKING HUMAN RIGHTS CONDITIONS INTO ACCOUNT IN OUR
POSITION NOT ONLY IN THE DEVELOPMENT BANKS BUT IN A
WHOLE RANGE OF U.S. INTERNATIONAL POLICY. WE VIEW
PARTICULAR LOANS ON A CASE-BY-CASE BASIS DEPENDING UPON
THE NATURE OF THE LOAN, THE SITUATION IN THE COUNTRY AT
THAT TIME, AND THE WHOLE RANGE OF U.S. POLICY CONCERNS
AT THAT TIME. OUR EFFORT IN THE DEVELOPMENT BANKS AS
ELSEWHERE, IS TO ENCOURAGE IMPROVED HUMAN RIGHTS
CONDITIONS THROUGHOUT THE WORLD. THAT'S AN IMPORTANT
U.S. TENTATIVE FOREIGN POLICY, IT IS ONE WHICH WE WILL
CONTINUE TO TAKE, IT IS ONE WHICH WE HAVE A VERY CLEAR
CONGRESSIONAL MANDATE TO TAKE. IN A NUMBER OF COUNTRIES
WHERE WE HAVE ABSTAINED ON HUMAN RIGHTS GROUNDS WE HAVE
BEEN PLEASED TO WITNESS PROGRESS LATER ON WHICH ENABLED
US TO CHANGE OUR VOTING POSTURE, WE WOULD CERTAINLY
HOPE THIS WOULD BE THE CASE ON THE COUNTRIES WHICH YOU
MENTIONED. IN CASES WHERE A LOAN GOES TO MEET THE
BASIC HUMAN NEEDS OF CITIZENS OF THAT COUNTRY, WE WILL
IN MOST CASES SUPPORT THE LOAN EVEN IF WE HAVE SOME
CONCERN ABOUT HUMAN RIGHTS IN THE COUNTRY INVOLVED
BECAUSE WE WOULD NOT WANT TO PENALIZE INDIVIDUALS IN
THAT COUNTRY FOR DIFFICULTIES THAT MAY ARISE BECAUSE OF
HUMAN RIGHTS POLICIES OF THEIR GOVERNMENT. SO WE DO
HAVE AN EFFORT NOT ONLY IN THE ASIAN BANK BUT IN ALL
THE DEVELOPMENT BANKS TO PROMOTE OUR BASIC HUMAN RIGHTS
OBJECTIVES CONSISTENT WITH MAINTAINING THE INTEGRITY OF
THOSE INSTITUTIONS AS INTERNATIONAL AND MULTI-LATERAL
EFFORTS. WE THINK WE CAN DO THAT, WE THINK WE ARE DOING
IT, WE ARE CONSULTING CLOSELY WITH OTHER MEMBER
COUNTRIES IN AN EFFORT TO ASSURE THAT, AND I THINK
THAT WILL CLEARLY CONTINUE TO BE OUR POLICY.

QUESTION: RETURNING TO THE SPECIFIC REPLENISHMENT
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DISCUSSIONS OF THE WEEKEND, CAN YOU GIVE US A FIGURE ON
THE U.S. COMMITMENT TO THIS REPLENISHMENT FUND, A TOTAL
FIGURE FOR THE PLEDGES MADE AND WHETHER YOU RAISED THIS
HUMAN RIGHTS LINKAGE IN CONNECTION WITH THESE
DISCUSSIONS?

MR. BERGSTEN: THE U.S. PLEDGE WHICH I WAS AUTHORIZED TO MAKE BY THE PRESIDENT AND MADE AFTER EXTENSIVE CONSULTATIONS WITH THE CONGRESS WAS FOR A U.S. CONTRIBUTION OF 445 MILLION DOLLARS OVER THE FOUR-YEAR PERIOD OF THE REPLENISHMENT, SUBJECT OF COURSE TO THE SUBSEQUENT AUTHORIZATION AND APPROPRIATION BY THE CONGRESS OF THE UNITED STATES. THAT ENABLES US TO MAINTAIN OUR 22.25 PERCENT SHARE OF THE BASIC REPLENISHMENT TARGET OF 2.0 BILLION DOLLARS. BEYOND THAT FIGURE, SEVERAL COUNTRIES HAVE INDICATED A WILLINGNESS TO MAKE SUPPLEMENTARY CONTRIBUTIONS WHICH WOULD TAKE THE TOTAL LEVEL UP SOMEWHERE ABOVE 2 BILLION DOLLARS--I THINK THAT PRECISE NUMBER IS NOT YET CLEAR-- BUT IT WILL MOVE SIGNIFICANTLY UP ABOVE THE 2 BILLION DOLLAR LEVEL. DURING THE COURSE OF THE DISCUSSION WE DID NOT RAISE OUR CONCERN ABOUT HUMAN RIGHTS. THE OBJECTIVE OF THIS EXERCISE WAS TO REPLENISH THE RESOURCES OF THE FUND. OF COURSE, AS THOSE RESOURCES ARE SPENT WE WILL BE INDICATING OUR VIEWS THROUGHOUT THE PROCESS ON COUNTRY DISTRIBUTION, TYPES OF PROJECTS-- THE WHOLE RANGE OF ISSUES THAT ARE ALWAYS DISCUSSED IN ACTUALLY DISBURSING MONEY. BUT THE PURPOSE OF THIS EXERCISE WAS TO REPLENISH THE FUNDS OF THE ASIAN FUND. I THINK IT WAS AN EXTREMELY SUCCESSFUL NEGOTIATION. THERE WAS A HIGH DEGREE OF COOPERATION AND PARTICIPATION FROM ALL THE COUNTRIES INVOLVED AND I THINK IT ASSURES A CONTINUED GROWING AND DYNAMIC ASIAN

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DEVELOPMENT BANK AND ASIAN DEVELOPMENT FUND FOR THE NEXT FOUR YEARS.

QUESTION: RETURNING TO INDO-CHINA IF I MAY: WHAT IS THE POSITION NOW REGARDING VIETNAM AND THE OUTSTANDING MONIES STILL FROZEN?

MR. BERGSTEN: THE UNITED STATES HAS A POLICY DURING THE CURRENT FISCAL YEAR, WHICH WAS INDICATED BY THE PRESIDENT LAST OCTOBER, OF OPPOSING AND VOTING AGAINST LOANS TO A NUMBER OF COUNTRIES INCLUDING VIETNAM IN THE BANKS. THE ISSUE HAS NOT ARISEN SINCE THE PRESIDENT MADE THAT DECLARATION BECAUSE THERE HAS BEEN NO LOAN PROPOSED FOR VIETNAM IN ANY OF THE DEVELOPMENT BANKS OF WHICH WE ARE A MEMBER. AND SO, THAT INSTRUCTION HAS NOT NEEDED TO BE IMPLEMENTED. IT IS MY UNDERSTANDING-- BUT YOU CAN GET THIS IN MORE DETAIL FROM THE BANK ITSELF-- THAT THERE HAVE BEEN SOME DISCUSSIONS BETWEEN THE BANK AND VIETNAM. THE BANK DID SEND A TECHNICAL MISSION THERE AT SOME POINT LAST YEAR TO LOOK AT THE PARTICULAR PROJECT, BUT AT THE MOMENT THERE IS NO RESUMPTION OF UNCLASSIFIED

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LENDING AND OF COURSE ANY SUCH RESUMPTION WOULD REQUIRE VIETNAM TO BE IN FULL COMPLIANCE WITH ALL OF ITS MEMBERSHIP REQUIREMENTS IN THE ASIAN DEVELOPMENT BANK. I SHOULD SAY, THAT WHATEVER THE LEGAL SITUATION OR THE TECHNICAL SITUATION IN THE BANK OR ANY OF THE BANKS, THE ISSUE OF LENDING TO VIETNAM IS A VERY SENSITIVE ONE IN THE UNITED STATES. I THINK THE REASONS FOR THAT ARE UNDERSTANDABLE, AND IT WILL CONTINUE TO BE A SENSITIVE ISSUE FOR SOME TIME. THE UNITED STATES HAS MADE AN EFFORT UNDER THE CARTER ADMINISTRATION TO HAVE NEGOTIATIONS WITH THE GOVERNMENT OF VIETNAM LOOKING TOWARD THE RESUMPTION OF NORMAL RELATIONSHIPS. THERE HAVE BEEN THREE EFFORTS-- THREE NEGOTIATING SESSIONS-- BETWEEN OUR REPRESENTATIVES AND THOSE OF THE GOVERNMENT OF VIETNAM. I REGRET TO SAY THAT THEY HAVE NOT MADE MUCH PROGRESS TOWARD A RESUMPTION OF NORMAL RELATIONSHIPS. WE WOULD CONTINUE TO HOPE THAT THEY WOULD DO SO, BUT I MUST INDICATE THAT I THINK THAT FOR SOME TIME THE ISSUE OF U.S. ASSISTANCE TO VIETNAM IN WHATEVER FORM WILL REMAIN A VERY SENSITIVE ONE AND WILL HAVE AN IMPACT ON OUR ATTITUDE AND OUR POSITION IN THE VARIOUS BANKS WHICH MIGHT BE MAKING LOANS TO THAT COUNTRY.

QUESTION: ON THE SAME ISSUE, IF A LOAN WAS MEETING THE BASIC NEEDS OF THE PEOPLE, WOULD THE UNITED STATES OPPOSE IT TO VIETNAM OR CAMBODIA?

MR. BERGSTEN: THE DIRECTIVE WHICH THE PRESIDENT EXTENDED TO HIS REPRESENTATIVES IN THE BANKS FOR THE CURRENT FISCAL YEAR REQUIRES THEM TO OPPOSE ANY LOANS TO THE COUNTRIES INVOLVED.

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QUESTION: WHAT COUNTRIES?

MR. BERGSTEN: VIETNAM, CAMBODIA, LAOS, UGANDA, MOZAMBIQUE, ANGOLA AND CUBA.

QUESTION: THESE ARE ALREADY KNOWN FACTS--THIS IS NOTHING NEW?

MR. BERGSTEN: NOTHING NEW. I AM NOT GIVING YOU ANY HOT NEWS HERE.

QUESTION: CAN YOU GIVE US SOME LATE NEWS ON SOMETHING?

MR. BERGSTEN: ON ANYTHING?

QUESTION: WELL, DO YOU THINK THAT THE PRESENT LEVEL OF THE DOLLAR IS ECONOMICALLY JUSTIFIED?

MR. BERGSTEN: NO COMMENT.

QUESTION: HOW WOULD YOU LIKE TO INCREASE EXPORTS? YOU SAID YOU WANTED TO INCREASE EXPORTS, BUT IN THAT THE DOLLAR IS DOWN, HOW WOULD YOU LIKE TO SUPPORT IT?

MR. BERGSTEN: WELL, THERE ARE A NUMBER OF MEANS BY WHICH WE THINK WE COULD DO A BETTER JOB IN THE UNITED STATES IN EXPANDING OUR EXPORTS. SOME OF THE FACTORS RELATE TO THE EFFORTS OF OUR BUSINESS COMMUNITY ITSELF TO EXPORT. THE UNITED STATES HAS HISTORICALLY NOT RELIED VERY HEAVILY ON EXPORTS. AND ALTHOUGH A NUMBER OF U.S. FIRMS HAVE BEEN VERY SUCCESSFUL IN WORLD TRADE THE AMERICAN BUSINESS COMMUNITY AS A WHOLE HAS NOT REALLY BEEN VERY EXPORT-ORIENTED. EXPORTS EVEN NOW

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REPRESENT ONLY ABOUT 7 PERCENT OF OUR ECONOMY COMPARED WITH 25 TO 30 PERCENT OF THE GERMAN ECONOMY, A HIGHER PERCENT I WOULD SUPPOSE HERE IN AUSTRIA, PERCENTAGES OF 40 OR MORE IN BELGIUM AND OTHER COUNTRIES MORE DEPENDENT ON THE OUTSIDE WORLD. AS A RESULT, THE U.S. PRIVATE SECTOR HAS NEVER REALLY DEVELOPED THE AGGRESSIVENESS AND KNOW-HOW TO EXPORT AS EFFECTIVELY AS THE BUSINESS SECTOR IN OTHER COUNTRIES. THE ONE THING WE ARE TRYING TO DO IS CONVEY TO OUR PRIVATE SECTOR THE CRITICAL IMPORTANCE FOR OUR NATION WHICH NOW ATTACHES TO EXPORTING. WE HAVE A HUGE OIL IMPORT BILL AS I SAID. AND EVEN WITH THE BEST OF SUCCESS OF OUR POLICIES TO LIMIT OIL IMPORTS, WE WILL STILL HAVE A VERY LARGE BILL FOR A LONG TIME TO COME. WE HAVE A LARGE TRADE DEFICIT--ONE WHICH IS TOO BIG IN TERMS OF OUR OWN ECONOMIC INTEREST AND IN TERMS OF WORLD ECONOMIC INTEREST AND WE WANT TO BRING IT DOWN IN THE MOST CONSTRUCTIVE WAY POSSIBLE. WE THINK THE MOST CONSTRUCTIVE WAY WOULD BE TO EXPAND OUR EXPORTS, NOT TO PUT LIMITS ON IMPORTS, NOT TO LIMIT OUR ECONOMIC GROWTH, BUT RATHER TO EXPAND OUR ABILITY TO PENETRATE
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WORLD MARKETS. THERE ARE SOME THINGS THAT THE GOVERNMENT CAN DO TO HELP THAT. WE WANT TO MAKE SURE THAT OUR EXPORT FINANCE PROGRAM IS FULLY COMPETITIVE WITH THAT OF OTHER COUNTRIES. WE WANT TO AVOID EXCESSIVE COMPETITION IN EXPORT CREDITS IN ANY KIND OF EXPORT CREDIT RACE--INDEED, WE HAVE TAKEN THE LEAD IN NEGOTIATING AN INTERNATIONAL ARRANGEMENT WHICH WAS JUST SIGNED WITHIN THE MONTH OR SIX WEEKS, TO PUT SOME INTERNATIONALLY-AGREED LIMITS ON EXPORT CREDIT

PROGRAMS. BUT WITHIN THAT FRAMEWORK WE WANT TO DO AS BEST WE CAN TO MAKE SURE THAT U.S. EXPORTS ARE FULLY COMPETITIVE IN THE EXPORT FINANCE AREA. WE ARE LOOKING AT A WHOLE RANGE OF OTHER POLICY POSSIBILITIES CONSISTENT WITH OUR INTERNATIONAL OBLIGATIONS WHICH WOULD ENABLE US TO DO A BETTER JOB IN TERMS OF EXPANDING U.S. EXPORTS. WE THINK THAT IS THE MOST CONSTRUCTIVE WAY TO DEAL WITH OUR TRADE DEFICIT. THAT IS ONE APPROACH THAT WE ARE GOING TO BE PURSUING AS VIGOROUSLY AS WE CAN.

QUESTION: SOME BANKERS THIS YEAR WERE EXPRESSING SOME CONCERN AT THE SIZE AND STRUCTURE OF OUTSTANDING COMMERCIAL DEBT TO OEC'S IN THE CONTEXT OF THE PRESENT EXPORT EARNING POTENTIAL OF OEC'S GIVEN THE PROJECTIONS OF SOLID GROWTH IN WORLD TRADE. IS THAT A SUBJECT OF CONCERN TO YOU?

MR. BERGSTEN: IT IS A SUBJECT WE WATCH VERY CLOSELY ON AN ON-GOING BASIS, BUT IT IS NOT A SUBJECT OF GREAT CONCERN TO US. IF YOU ANALYZE THE RELATIONSHIP THAT YOU MENTION BETWEEN EXTERNAL DEBT AND EXPORT EARNINGS OF DEVELOPING COUNTRIES AS A GROUP, IT IS NO WORSE TODAY THAN IT WAS TEN YEARS AGO. THE NUMBERS ARE ALL UNCLASSIFIED

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BIGGER BECAUSE OF INFLATION AND GROWTH, BUT THE RELATIONSHIPS ARE LITERALLY NO DIFFERENT FROM WHAT THEY WERE BEFORE THE OIL CRISIS OR REALLY AT THE END OF THE 1960S. SOME INDIVIDUAL COUNTRIES, OF COURSE, DO FACE PROBLEMS IN THEIR EXTERNAL DEBT. THAT HAS ALWAYS BEEN THE CASE. OVER THE POST-WAR PERIOD THERE HAVE BEEN ABOUT 40 CASES WHERE INDIVIDUAL COUNTRIES' EXTERNAL DEBT HAS HAD TO BE RESCHEDULED. THE PACE OF THOSE RESCHEDULEINGS HAS ACTUALLY BEEN SLOWER IN RECENT YEARS THAN IT HAD BEEN IN THE 1960S. SO DESPITE ALL THE ALARMS EXPRESSED ABOUT EXTERNAL DEBT OF DEVELOPING COUNTRIES, THERE HAVE HAD TO BE FEWER RENEGOTIATIONS AND RESCHEDULEINGS OF DEBT IN THE LAST FEW YEARS THAN THERE WERE IN EARLIER PERIODS. IT IS A SUBJECT OF IMPORTANCE. IT IS ONE WE WATCH AND MONITOR VERY CLOSELY. INDEED WE HAVE VERY SIGNIFICANTLY IMPROVED OUR MONITORING AND OUR CAPACITY TO KNOW WHAT IS GOING ON IN THIS WHOLE RANGE OF ISSUES, BUT IT IS NOT SOMETHING THAT WE VIEW AS A THREAT TO INTERNATIONAL FINANCIAL STABILITY, NOT A MATTER OF GREAT POTENTIAL DIFFICULTY FOR THE WORLD ECONOMY AT THIS TIME.

QUESTION: NOW, COMING BACK TO YOUR EXPORT EFFORTS: WHAT WOULD BE THE MAIN MARKETS YOU WOULD CONCENTRATE

YOUR EFFORTS ON AND WHAT WOULD BE THE MOST PROMISING?

MR. BERGSTEN: I THINK WE WOULD SEEK TO IMPROVE OUR PERFORMANCE IN ALL MARKETS. IT IS SOMETIMES NOT REALIZED THAT THE MAIN MARKETS FOR UNITED STATES EXPORTS ARE CANADA, WHICH IS ABOUT 20 PERCENT, THE DEVELOPING COUNTRIES WHICH ARE ABOUT 25 PERCENT

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INCLUDING 40 PERCENT OF OUR EXPORTS OF MANUFACTURED GOODS, AND THEN JAPAN AND EUROPE COME DECIDEDLY NEXT TO THOSE. INDEED, A MAJOR REASON FOR THE SIZE OF THE TRADE DEFICIT THAT THE UNITED STATES HAD BEEN RUNNING FOR THE LAST YEAR AND A HALF IS BECAUSE OF SLOW ECONOMIC GROWTH IN OUR MAJOR MARKETS. CANADA HAS BEEN GROWING EXTREMELY SLOWLY. SOME OF OUR MAIN DEVELOPING COUNTRY MARKETS, PARTICULARLY MEXICO AND BRAZIL, HAVE BEEN UNDERGOING STABILIZATION PROGRAMS THAT HAVE LIMITED THEIR TOTAL IMPORTS, INCLUDING FROM THE UNITED STATES. IN FACT, IF THE REST OF THE INDUSTRIALIZED COUNTRIES HAD RECOVERED FROM THE RECESSION OF 1975 AS FAST AS THE UNITED STATES RECOVERED, OUR EXPORTS TODAY WOULD BE 15 BILLION DOLLARS HIGHER, AND OUR CURRENT ACCOUNT DEFICIT WOULD BE PRACTICALLY ELIMINATED. SO YOU SEE, SLOWER ECONOMIC GROWTH OUTSIDE THE UNITED STATES THAN INSIDE THE U.S. HAS REALLY BEEN A CRITICAL ELEMENT IN OUR LARGE TRADE DEFICIT. THAT IS THE REASON THAT WE HAVE URGED SOME OF THE STRONGER COUNTRIES AROUND THE WORLD SUCH AS

JAPAN AND GERMANY PARTICULARLY, TO ACHIEVE THE
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FASTEST GROWTH RATES POSSIBLE CONSISTENT WITH THEIR
OBJECTIVES OF MAINTAINING PRICE STABILITY AND OTHER
INTERNAL ECONOMIC OBJECTIVES. BECAUSE SLOW ECONOMIC
GROWTH IN OUR BIG MARKETS OR STABILIZATION PROGRAMS
IN THE CASE OF SOME KEY DEVELOPING COUNTRIES HAVE
BEEN A MAJOR ADVERSE FACTOR ON OUR TRADE BALANCE
OVER THE LAST YEAR OR TWO, AND THEREFORE IN TERMS OF
THE DOLLAR. IN LOOKING TO EXPAND OUR EXPORTS I THINK
WE WOULD BE LOOKING AT ALL MARKETS. WE ARE MAKING A
PARTICULAR EFFORT IN JAPAN. PARTLY BECAUSE JAPAN
CONTINUES TO RUN A VERY SIZEABLE TRADE AND CURRENT
ACCOUNT SURPLUS, AND PARTLY BECAUSE WE DO BELIEVE THAT
OVER ITS POST-WAR HISTORY, JAPAN HAS DEVELOPED AN
ECONOMY WHERE IMPORTS, PARTICULARLY OF MANUFACTURED
GOODS, DO NOT PLAY AS LARGE A ROLE AS THEY DO IN
MOST OF THE ADVANCED INDUSTRIALIZED COUNTRIES. WE
THINK IT IS APPROPRIATE FOR JAPAN TO EXPAND THE SHARE
OF ITS ECONOMY WHICH RELATES TO IMPORTS. IN FACT,
WE ARE WORKING MOST COOPERATIVELY WITH THE JAPANESE
NOW TO ACHIEVE THAT OBJECTIVE. WE AND JAPAN HAVE
JOINTLY SET UP SOMETHING CALLED A "TRADE FACILITATION
COMMITTEE" WHICH IS JOINTLY WORKING ON GETTING AMERICAN
FIRMS TO BE MORE EFFECTIVE IN SELLING TO JAPAN, AND
ALSO GETTING THE JAPANESE TO WORK WITH US IN REDUCING
BARRIERS TO FOREIGN SALES INTO THE JAPANESE MARKET
SO AS TO PERMIT A GREATER ROLE FOR IMPORTS IN THEIR
ECONOMY. SO THAT IS ONE AREA THAT WE WOULD BE TARGETING
ON. BEYOND THAT, WE WILL BE LOOKING TO WORLD MARKETS
IN GENERAL, BASICALLY IN AN EFFORT TO IMPROVE OUR
COMPETITIVE POSITION, HOPING THAT THAT WILL THEN
TRANSLATE INTO EXPANDED EXPORT SALES THROUGHOUT THE
WORLD.

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QUESTION: WOULD YOU SAY THAT MAINLAND CHINA IS A
MARKET FOR YOU OR THE EASTERN EUROPEAN COMMUNIST STATES?

MR. BERGSTEN: THEY ARE A POTENTIAL MARKET. AT THE MO-
MENT WE HAVE SOME RATHER SEVERE LEGISLATIVE RESTRICTIONS
THAT LIMIT POSSIBILITIES FOR TRADE WITH BOTH THE
EASTERN EUROPEAN COUNTRIES AND CHINA. I THINK OVER
TIME WE MAY EXPAND OUR SALES TO THOSE COUNTRIES, BUT

THOSE COUNTRIES ARE SUCH A TINY SHARE NOT ONLY OF OUR EXPORTS, BUT OF WORLD TRADE, THAT I WOULD NOT EXPECT THEM TO MAKE A MAJOR CONTRIBUTION TO EXPANSION OF U.S. EXPORTS IN THE NEAR FUTURE.

QUESTION: ONE OF THE SUGGESTED ADMINISTRATIVE MOVES THAT PRESIDENT CARTER COULD MAKE IN THE ENERGY AREA WOULD BE A TAX ON IMPORTED OIL. DOESN'T THIS RUN THE RISK OF TRADE RETALIATION ON THE PART OF THE OPEC COUNTRIES?

MR. BERGSTEN: NO, NOT AT ALL, THE OPEC COUNTRIES HAVE BEEN AMONG THOSE COUNTRIES AROUND THE WORLD THAT HAVE BEEN SEEKING ACTION FROM THE UNITED STATES TO LIMIT OUR RELIANCE ON IMPORTED OIL. THEY FULLY SHARE THE VIEW WE HAVE, AND THE VIEW MANY OTHER COUNTRIES HAVE, THAT IT IS ESSENTIAL FOR THE UNITED STATES TO REDUCE ITS DEPENDENCE ON IMPORTED OIL, REDUCE ITS CONSUMPTION OF ENERGY IN GENERAL IN THE INTEREST OF STABILITY IN WORLD MARKETS. IN ADDITION, THE OPEC COUNTRIES, I AM SURE, WOULD WELCOME EFFORTS BY THE UNITED STATES WHICH WOULD STRENGTHEN THE DOLLAR ON THE EXCHANGE MARKETS, WHICH, OF COURSE,

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WOULD BE ONE OF THE MOST IMMEDIATE OBJECTIVES OF ANYTHING WE WOULD DO TO LIMIT OUR RELIANCE ON OIL IMPORTS. THE OPEC COUNTRIES THEMSELVES HAVE HEAVY INVESTMENTS IN DOLLARS, CONTINUE TO PRICE AND RECEIVE

PAYMENT FOR THEIR OIL IN DOLLARS, AND THEREFORE SHARE OUR INTEREST IN A MAXIMUM STABILITY FOR THE DOLLAR IN THE INTERNATIONAL FINANCIAL SYSTEM. SO ANY STEP THAT WOULD ACHIEVE THAT OBJECTIVE I THINK WOULD BE WIDELY WELCOMED BY THEM. REMEMBER THAT IF THE UNITED STATES WERE TO GO TO THE MEASURE THAT YOU SUGGEST, ITS OBJECTIVE WOULD BE TO BRING THE PRICE OF OIL IN THE UNITED STATES UP TO THE WORLD LEVEL. WHAT THE PRESIDENT HAS PROPOSED TO THE CONGRESS OVER A YEAR AGO IS THE CRUDE OIL EQUALIZATION TAX WHICH WOULD BRING THE PRICE OF DOMESTICALLY PRODUCED OIL WHICH IS NOW HELD BELOW THE WORLD PRICE UP TO THE WORLD PRICE LEVEL. THAT CONTINUES TO BE OUR PREFERRED POLICY, WE CONTINUE TO HOPE THAT THE CONGRESS WILL PASS THAT KIND OF TAX IN THE VERY NEAR FUTURE. IF IT DID NOT DO SO, ONE COULD ACHIEVE EXACTLY THE SAME RESULT BY PUTTING A FEE ON IMPORTED OIL THAT WOULD RAISE IT TO A LEVEL HIGH

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ENOUGH SO THAT IT, AVERAGED WITH THE LOWER DOMESTIC PRICE, WOULD ACHIEVE THE WORLD PRICE. SO ALL WE WOULD BE DOING BY THAT MEANS IS TO ACHIEVE BY A DIFFERENT TECHNIQUE WHAT THE CRUDE OIL EQUALIZATION TAX TRIES TO DO, NAMELY BRING THE PRICE OF OIL IN THE UNITED STATES UP TO THE WORLD LEVEL. I THINK THERE IS NO REASON TO BELIEVE THAT OPEC COUNTRIES OR ANY OTHERS WOULD RESPOND NEGATIVELY TO THAT KIND OF APPROACH, INDEED, FOR THE REASONS I SUGGESTED, I THINK THEY WOULD WELCOME THE MOVE.

QUESTION: WILL YOU SEE OPEC WHILE YOU ARE HERE IN VIENNA?

MR. BERGSTEN: NO, I HAVE NO PLANS TO MEET WITH THEM.

QUESTION: I JUST HAPPENED TO SPEAK TO MR. YEGANEH TODAY, WHO IS NOW THE CHIEF OIL DELEGATE TO OPEC, AND HE TOLD ME HE IS VERY PUZZLED BECAUSE HERE IS THE UNITED STATES SAYING THAT THE PRICE SHOULDN'T BE RAISED AND AT THE SAME TIME THAT THE OPEC PRICES ARE TOO HIGH AND HERE YOU ARE GOING TO PUT ON A TAX IN THE UNITED STATES AND MAKE YOUR OIL HIGHER. HE SAID IT PUZZLES HIM.

MR. BERGSTEN: WELL, SECRETARY BLUMENTHAL AND I MET WITH MINISTER YEGANEH AT SOME LENGTH WHEN HE WAS IN WASHINGTON ABOUT A MONTH AGO AND WE HAD I WOULD SAY A VERY CONSTRUCTIVE AND JOINTLY ADOPTED VIEW ABOUT THE WHOLE ISSUE INVOLVED. HE STRONGLY SUPPORTED OUR EFFORTS TO REDUCE U.S. CONSUMPTION OF OIL, EXPAND OUR OWN PRODUCTION, LOOK FOR ALTERNATIVE SOURCES,

AND THE WHOLE RANGE OF THINGS, AND I MIGHT SAY THE
SHAH OF IRAN HAS BEEN IN THE FOREFRONT OF PROPOSING
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FOR MANY YEARS. AS I SAID, WHAT WE WOULD BE DOING
THROUGH THIS DEVICE WOULD BE TO BRING THE PRICE OF
OIL IN THE UNITED STATES UP TO THE WORLD LEVEL, NOT
BEYOND IT, NOT INCREASING THE WORLD PRICE, BUT RATHER
BRINGING OUR PRICE UP TO THE WORLD LEVEL. THERE IS
CERTAINLY NO INCONSISTENCY BETWEEN THAT IN OUR VIEW,
WHICH WE HAVE EXPRESSED CLEARLY TO OPEC COUNTRIES,
THAT THE WORLD ECONOMY IS NOT RIPE FOR A FURTHER
INCREASE IN THE WORLD PRICE. I SEE NO INCONSISTENCY
BETWEEN THE TWO, INDEED, WHAT WE WOULD BE DOING IS
BRINGING OUR PRICE UP TO THE WORLD LEVEL, MAKING
THINGS CONSISTENT ACROSS THE BOARD.

QUESTION: DO YOU HONESTLY BELIEVE THAT A HIGHER GASOLINE
PRICE IN THE UNITED STATES WOULD CUT DOWN CONSUMPTION?
OVER HERE THEY HAVE BEEN PAYING OVER A DOLLAR - A
DOLLAR AND A HALF - FOR A GALLON OF GAS FOR YEARS
AND THEY WILL DO WITHOUT A LOT OF OTHER THINGS BUT
THEY CERTAINLY WON'T DO WITHOUT GASOLINE.

MR. BERGSTEN: NO, BUT THEIR PER CAPITA ENERGY CONSUMP-
TION IS HALF OF OURS, PARTLY AS A RESULT OF THAT
HIGHER PRICE. THE RECORD CLEARLY SHOWS THAT THE
INCREASE IN THE OIL PRICE THAT HAS ALREADY TAKEN PLACE
IN THE UNITED STATES HAS HAD A DRAMATIC EFFECT IN
CUTTING BACK THE SHARE OF OUR GNP THAT GOES INTO
ENERGY CONSUMPTION. THERE WAS JUST A STORY IN THE
INTERNATIONAL HERALD TRIBUNE TODAY LAYING OUT FIGURES
FROM THE INTERNATIONAL ENERGY AGENCY MAKING IT VERY
CLEAR THE DRAMATIC CUTBACK IN ENERGY CONSUMPTION IN
THE UNITED STATES IN RESPONSE TO THE HIGHER PRICES OF
THE LAST FIVE YEARS. A FURTHER INCREASE IN THE PRICE
WOULD CLEARLY FURTHER REDUCE U.S. CONSUMPTION, EXPAND
OUR PRODUCTION BOTH OF FOSSIL FUELS AND OTHER RESOURCES
AND ENABLE US TO CUT BACK VERY SHARPLY ON THIS OIL
IMPORT BILL. SO MY ANSWER IS YES, I DO BELIEVE IT,
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THE RECORD SUPPORTS IT, AND I THINK OUR POLICY WILL
PROMOTE IT FURTHER.

QUESTION: YOU IN THE PAST HAVE EXPRESSED PERSONAL

SUSUPPORT FOR SCHEMES TO STABILIZE THE PRICE OF INDIVIDUAL

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COMMODITIES. SINCE THEN THERE HAS BEEN VERY LITTLE
PROGRESS ON COMMODITY STABILIZATION SCHEME. SOME PRO-
DUCER STATES FEEL THAT U.S. APPROACH TO HANDLING
SALES FROM THE U.S. TIN STOCKPILE HAS HAD
A DESTABILIZING EFFECT ON THE TIN MARKET. DO YOU SEE
ANY WAY THAT PROGRESS CAN BE MADE TOWARDS FURTHER
STABILIZATION? ROTHER

MR. BERGSTEN: WELL, I WOULD REJECT YOUR PREMISE. I
THINK THERE HAS BEEN SIGNIFICANT PROGRESS TOWARD
INTERNATIDNAL PRICE STABILIZATION THROUGH COMMODITY
AGREEMENTS AND SOME STEPS WE HAVE TAKEN OURSELVES.
LAST YEAR WE WORKED DUT WITH OTHER PRODUCING AND
CONSUMING COUNTRIES AN INTERNATIONAL SUGAR AGREEMENT
THAT WE THINK IS A MAJOR STEP TOWARD STABILIZING THE
WORLD SUGAR MARKET. WE HAVE AGREED WITH OTHER CONSUMING
AND PRODUCING COUNTRIES TO BEGIN NEGOTIATION OF AN
INTERNATIONAL COMMODITY AGREEMENT FOR NATURAL RUBBER
WHICH WE THINK CAN GO A LONG WAY TOWARD IMPROVING
THAT SITUATION. WE HAVE SET UP WITH OTHER PRODUCING
AND CONSUMING COUNTRIES A PRODUCER/CONSUMER FORUM
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FOR COPPER, ONE OF WHOSE FIRST TASKS WILL BE TO STUDY THE POSSIBILITY OF AN INTERNATIONAL AGREEMENT FOR COPPER. THE UNITED STATES, AS YOU INDICATE, HAS INDICATED FOR THE FIRST TIME THAT IT WOULD JOIN THE FINANCING FOR THE INTERNATIONAL TIN AGREEMENT, TO PROVIDE A LARGER BUFFER-STOCK TO BE ABLE TO DO A BETTER JOB IN STABILIZING PRICES IN THE INTERNATIONAL TIN MARKET. IN ADDITION TO OUR ANNOUNCEMENT THAT WE WOULD CONTRIBUTE TO THAT TIN BUFFER-STOCK WE RECENTLY ANNOUNCED OUR INTENTION, IF THE CONGRESS APPROVES, FOR US TO SELL A SIZEABLE AMOUNT OF TIN FROM OUR DOMESTIC STRATEGIC STOCKPILE. THAT HAS HAD A VERY STABILIZING EFFECT ON THE WORLD TIN MARKET. INDEED, PRIOR TO THAT TIME THE PRICE OF TIN WAS WELL ABOVE THE AGREED CEILING PRICE OF THE INTERNATIONAL TIN AGREEMENT. THE CEILING PRICE IS AGREED BY ALL COUNTRIES, PRODUCERS AND CONSUMERS ALIKE, TO REPRESENT THE DESIRABLE TOP OF THE PRICE RANGE. YET THE PRICE WAS WELL ABOVE THAT. INDEED, A NUMBER OF PRODUCING COUNTRIES HAD URGED THE UNITED STATES TO BEGIN A PROGRAM OF SALES FROM THE TIN STOCKPILE SO AS TO PROVIDE A STABILIZING FORCE IN THE TIN MARKET. WHEN WE ANNOUNCED OUR INTENTION TO DO SO, THE WORLD TIN PRICE DROPPED BACK WITHIN THE RANGE AGREED IN THE INTERNATIONAL TIN AGREEMENT, AND THEREFORE CAN ONLY BE REGARDED AS A STABILIZING STEP. IT DOES TAKE TIME TO WORK OUT THE VERY TRICKY DETAILS AND MODALITIES OF INTERNATIONAL COMMODITY AGREEMENTS, AND I WOULD NOT EXPECT THAT WE WOULD NEGOTIATE A LARGE NUMBER OF THESE AGREEMENTS IN A VERY SHORT PERIOD OF TIME. WE STUDY EVERY ONE OF THEM THOROUGHLY, STUDY THE ECONOMICS VERY CAREFULLY, WE WILL NOT GO INTO ONE UNTIL WE ARE SURE THAT IT IS FEASIBLE AND IS IN OUR OWN ECONOMIC INTEREST AS WELL AS THAT OF OTHER

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PARTICIPATING COUNTRIES. BUT I THINK WE HAVE MOVED DELIBERATELY AND DECISIVELY TO ACHIEVE FORWARD STEPS IN THE SEVERAL COMMODITIES I HAVE MENTIONED, WE WILL CONTINUE TO DO SO BECAUSE IT DOES CONTINUE TO BE OUR POLICY THAT WELL WORKED-OUT INTERNATIONAL COMMODITY AGREEMENTS CAN PROMOTE PRICE STABILITY BOTH IN THE WORLD AND IN OUR OWN ECONOMY.

QUESTION: CAN I TAKE US BACK TO THE ADB FOR THE MOMENT-- ABOUT EVERY YEAR SOMEONE SUGGESTS THAT MAINLAND CHINA SHOULD BE A MEMBER. WHAT WOULD BE THE POSITION OF THE UNITED STATES IF SUCH A SUGGESTION CAME UP AGAIN?

MR. BERGSTEN: WELL, WE HAVE NOT HEARD ANYONE MENTION IT THIS YEAR AND IT MAY NOT ARISE. OUR POSITION IS TO WELCOME THE PEOPLES REPUBLIC OF CHINA INTO INTERNATIONAL INSTITUTIONS, BUT NOT IN ANY WAY TO THE EXCLUSION OF THE REPUBLIC OF CHINA. AND THAT IS A WELL-KNOWN U.S. POSITION. WE HAVE ADOPTED IT FOR MANY YEARS IN THE INTERNATIONAL INSTITUTIONS, AND THAT CONTINUES TO BE OUR POLICY.

QUESTION: WHAT PROSPECTS DO YOU SEE FOR ANY PROGRESS TOWARDS ANY OF THE SCHEMES FOR INTRODUCING RESERVE ASSETS OTHER THAN THE DOLLAR ON A SUBSTANTIAL SCALE EITHER THE EUROPEAN ONE OR SDR AND ON WHAT SORT OF TIME SCALE WOULD YOU EXPECT TO SEE ANY BEGINNINGS OF PROGRESS?

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MR. BERGSTEN: AS YOU KNOW THE UNITED STATES AND OTHER COUNTRIES HAVE INDICATED REPEATEDLY THEIR SUPPORT FOR SPECIAL DRAWING RIGHTS AS A CENTRAL ASSET IN THE MONETARY SYSTEM TO BE FOSTERED IN THAT TREND OVER TIME. I THINK AT THIS TIME IT IS EXTREMELY HARD TO MAKE ANY PREDICTIONS ABOUT THE TIMING OR PRECISE MODALITIES OF THAT APPROACH, BUT IT IS ONE THAT WE CERTAINLY CONTINUE TO APPROACH AND WILL BE WORKING ON IN THE IMF IN AN EFFORT TO DEVELOP MEANS TO ACHIEVE THE OBJECTIVES.
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